

EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR		X		
4	D/ICS	X			
5	DDI				
6	DDA		X		
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt		X		
13	D/EEO				
14	D/Pers		X		
15	D/OLL				
16	C/PAO				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
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Remarks

(OPM memo of 11 January never received. Copy-obtained today-attached.)

JBC
Executive Secretary

9 February 84
Date

ON FILE OMB
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	ACTION	DIRECT REPLY	PREPARE REPLY
	APPROVAL	DISPATCH	RECOMMENDATION
	COMMENT	FILE	RETURN
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FROM: NAME, ADDRESS, AND PHONE NO.		DATE	

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

FEB 8 1984

Honorable William Casey
Director of Central Intelligence
Washington, D.C. 20505

Dear Bill:

The President's 1985 Budget has now been transmitted to the Congress. I wish to express to you and your staff my appreciation for your contributions to the 1985 budget process, and particularly for your cooperation in preparing the budget documents. This budget is another major step in the President's plan for realigning national budget priorities and limiting the size and scope of Government.

The enclosures to this letter provide ceilings for the National Foreign Intelligence Program (NFIP). The 1984 and 1985 budget ceilings and multi-year planning ceilings (for 1986-1989) for budget authority are included in Enclosure A. These are the amounts within which your activities should be planned for the period 1985-1989. No increases should be contemplated unless they are required because of circumstances beyond your control.

Ceilings on civilian employment for the NFIP are provided in Enclosure B.

The President has approved a major initiative to reduce the number of GS/GM 11-15 positions in the Federal workforce. Implementation procedures for this initiative were described in a letter from the Director of the Office of Personnel Management (OPM) to the heads of departments and agencies on January 11, 1984. For NFIP elements that are not reporting to OPM through normal departmental channels, replies to this letter, providing comments on monitoring factors called for by OPM, suggestions for additional or alternative monitoring factors and plans for achievement of GS/GM 11-15 reductions, should be sent to OMB. OMB, rather than OPM, will monitor progress on this initiative for agencies not reporting to OPM.

The President is depending on you and NFIP program managers to help him curb the growth of Federal spending by managing your resources prudently and ensuring that appropriate Federal responsibilities are performed in the most effective and efficient manner.

Sincerely,

David A. Stockman

Director

Enclosures

Director, OMB

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United States

Office of Personnel Management

Washington, D.C. 20415

Executive Registry

84 - 774

In Reply, Refer To

Your Reference

January 11, 1984

MEMORANDUM TO: HEADS OF DEPARTMENTS AND AGENCIES**SUBJECT: Improved Position Management of GS/GM 11-15 Positions**

Poor position management and position classification, with their resulting high costs, have been a major concern to the Administration since the President embarked on his program to achieve a leaner, more effective government. In his FY 84 budget message, he directed the Office of Management and Budget and the Office of Personnel Management to undertake a critical review of the ways in which jobs are classified and work is assigned in the Executive Branch with the objective of producing substantial savings government-wide.

That review has now been completed. The President has approved a major initiative to reduce the excessive number of GS/GM 11-15 positions in the Federal workforce.

The decision to address the grade bulge problem was prompted by these disturbing statistics:

- In 1959 the proportion of the Federal workforce in grades 11-15 was 21 percent; by 1969 it had jumped to 33%, and by 1983 it was 39%.
- The President's Private Sector Survey on Cost Control (Grace Commission) estimates that approximately 26% of the white collar employees in the private sector earn salaries equivalent to the Government's GS/GM 11-15 range. This means the Federal Government, with 39% of its workforce at GS/GM 11-15, has 50% more of its workforce at high grades than the private sector.
- Average grade overall in the Federal government has increased from 5.4 in 1950 to 8.3 in 1983.
- Based on its 1982 study, OPM estimates agency overclassification costs the government \$680 million annually. OMB, based on a review of Bureau of Labor Statistics data for comparable positions in the private sector, estimates that poor position management beyond incorrect classification costs the government additional billions of dollars annually. While it is true that the nature of government functions requires more high level positions than in the past, OPM estimates that, at most, 60% of the grade creep can be attributed to technological change. The remaining growth appears solely due to poor position management and inadequate position classification.

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COPIES TO:
JANUARY 1984

The causes for these documented problems are many. The Grace Commission reported that "migration through sequence grades, overgrading, and misclassification have resulted in noticeably disproportionate population densities in higher grade levels with resulting higher pay compared to private sector structures." A recent Office of Personnel Management study on the classification accuracy of Federal white-collar positions estimates that almost 12% of positions at grades GS 12-15 are overgraded. In addition, it is clear that there has been and continues to be a tendency for Federal managers to spread out high level duties over many positions in organizations rather than grouping them into the minimal number of positions. This is poor position management, or more to the point, the lack of it.

OMB and OPM have been working with agency representatives in recent months seeking an approach to reducing the high level grade bulge that will result in steady improvement, while not harming vital mission needs. The initiative chosen, which will start in FY 85, uses budget reductions by OMB as the prime motivator rather than rigid position management or classification controls by OPM. This leaves agencies maximum flexibility to make improvements where the opportunities are greatest and the potential for adverse impact lowest.

The initiative focuses on a \$1.6 billion net improvement over the next four years, with approximately \$800 million saved each year thereafter.

The savings are based on a reduction of approximately 2 percent of the GS/GM 11-15 positions per year for four years. The program does not call for outright abolishment of positions, i.e., reduction in overall ceiling, but rather position restructuring, with positions in the GS/GM 11-15 band being replaced by positions below the GS/GM 11-15 band. Furthermore, at the 2 percent rate, almost all agencies will be able to accommodate the targeted reductions through attrition. For grades GS/GM 11-15, attrition rates throughout the government cluster between 5 and 8 percent per year.

OPM will monitor four factors initially for keeping agencies informed of position management/classification progress: (1) average grade (2) ratio of GS/GM 11-15 population to GS 1-10 population (3) percentage of GS/GM 11-15 supervisors in the GS/GM 11-15 workforce, and (4) absolute reduction of GS/GM 11-15 employees. Because of the decision to start this program with the FY 85 budget cycle, OMB assessed a straight 2 percent reduction to all agencies. Over the course of the four year program, however, it is expected that targets will vary from agency to agency. In addition to the factors reviewed by OPM, OMB will review and evaluate alternative factors appropriate for setting and adjusting targets. Regardless of the factors actually used by OMB, OPM will report regularly to agencies and OMB on progress using the four factors cited above, plus any others which may be developed over time.

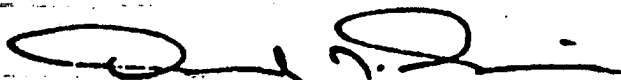
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To assist in our monitoring responsibility and to provide maximum useful information to you and OMB, I request that you provide me with 3 sets of information by March 1, 1984:

1. Comments regarding the indicators identified above which OPM will be using to track agency GS/GM 11-15 position management improvement progress;
2. Suggestions regarding additional or alternative indicators better suited to your agency's particular situation;
3. A brief statement of how you expect to achieve your position management/classification improvement target.

The success of this project will depend upon involvement of all managers and supervisors who are responsible for assigning work. Agency and installation personnel management staff members, particularly position classifiers, should be available to assist managers and supervisors at the outset and throughout this project. Sound planning is essential. We are optimistic that the results of this initiative will generate both long and short term dividends for the Government. Simultaneously, the project should offer the valuable people who hold GS/GM 11-15 responsibilities opportunities to perform in better designed, more fulfilling positions.

We will be releasing a Federal Personnel Manual Bulletin shortly which will provide more details about the program and its intended results.



Donald J. Devine
Director

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